



A Guide to Buy to Let Mortgages

**GASCOIGNE
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MORTGAGE SERVICES

What is a Buy to Let Mortgage?

Whether you're looking to purchase your first buy to let (BTL) property or expand your BTL portfolio, we're here to help.

WHAT ARE THE DIFFERENCES?

First of all, not all mortgage lenders offer BTL mortgages. If they do, they may lend to first-time buyers, or others will only lend to a seasoned property investor.

There's often a difference in age limits too. Residential mortgages tend to have a higher maximum age limit by the end of the term.

You'll typically need a higher deposit to take out a BTL mortgage compared to what you'd require for a residential mortgage. Usually the maximum loan-to-value ratio (LTV) is 75%, so that means you'll need at least a quarter of the total property value as a deposit.

As always, every mortgage application is subject to underwriter approval whether it's a BTL or a residential mortgage.

You should seek professional advice on your mortgage options before you start looking for a buy to let property. Our Mortgage Consultants can advise you on lending criteria, budgeting and affordability.

How can we Help

Buying a property to rent out is a serious investment, and you'll want expert advice before proceeding with the mortgage application or committing to the purchase.

We're part of a national network of professional, qualified Mortgage Consultants regulated by the Financial Conduct Authority (FCA) and authorised to give mortgage and insurance advice.

Long-standing relationships with our panel of lenders mean we sometimes have access to exclusive mortgage products not available anywhere else. Our Mortgage Consultants have in-depth understanding of each lenders' criteria, which is especially important for the buy to let investor. Whatever your situation we can tailor the right mortgage and insurance products to suit your needs.*

WHAT WE'LL DO FOR YOU

- We have access to over 1,500 buy to let mortgage products from our panel of selected lenders, so you can be sure we'll be able to find the right mortgage for you
- Confirm how much you may be able to borrow and all the costs involved*
- Help you find a property and explain everything you need to know about the buying process and all the costs involved
- Aim to save you money on the property you want to buy by negotiating with the seller. This only applies when the property is for sale with another estate agent and we do not act for the seller
- Take care of all your mortgage and insurance arrangements whether you buy through us or not*

LIFETIME MEMBERSHIP

Our lifetime members receive ongoing mortgage and insurance advice for life. We're constantly reviewing the products and services we offer to make sure lifetime members get great value. If you join, we'll be in touch about finding you another great buy to let mortgage product when your initial benefit period is coming to an end.

You'll always have access to our advice, you'll get a discount on our conveyancing service, and should you decide to sell with us in the future, you'll get a discount on our estate agency fees too. We'll also reward you if you recommend a friend who goes on to arrange their mortgage with us.+

Don't forget: once you're a member you'll never pay another broker fee again – no matter how many mortgages you arrange.**

*Subject to status and lender criteria.

**AN ADMINISTRATION FEE OF £99 MAY APPLY FOR RESIDENTIAL CUSTOMERS OR £149 FOR BUY TO CUSTOMERS

+ Terms & Conditions apply. A payment will be made to your bank account 30 days after your friend or family member has completed on their mortgage. No cash alternative is available. The promotion can be withdrawn at any time, without notice.

Finding the Right Property

Some lenders have restrictions on what types of properties they'll lend on, so having a property in mind beforehand will help our Mortgage Consultant find a suitable buy to let mortgage product.

WHAT MAKES A GOOD INVESTMENT?

Think about how suitable the property is for the widest range of tenants possible, and what you want as a return on the investment. For example, a one bedroom flat wouldn't be suitable for a family, so your tenant choice would be limited for this type of property.

We offer a free rental valuation service. A member of our lettings team will visit the property you're interested in to assess its potential. You'll receive a realistic figure for rental income on the property, so you can decide if it's worth the investment. The rental income assessment will also be used as part of your BTL mortgage application, as your lender will want to know this figure. Speak to our Mortgage Consultant who will arrange this for you.

House of multiple occupancy and multi-unit freehold block*

Some landlords choose to buy a House of Multiple Occupancy (HMO) or a Multi-Unit Freehold Block (MUFb), especially in large cities or near universities.

A property is deemed a HMO if both of the following apply:

- At least three tenants live there forming more than one household (if more than five tenants occupy the property, this will be deemed as a large HMO – lender criteria will differ from standard HMO to large HMO).
- Your tenants share bathroom or kitchen facilities with other tenants.

A property would be classified as a MUFb if there are at least two residential self-contained units in one property and the units share amenities, services and/or facilities – typically a house converted into two or more flats.

The rental income can be higher with HMOs and MUFbs, but these types of property are subject to different lender criteria, as well as different licencing, insurance and safety requirements.

Why not use our free Help to Find service in your search for a BTL property? Our Mortgage Consultants will work with our branch team to search for the type of property you're looking for, run wanted adverts in our branch windows and leaflet your key areas to find a property that suits your requirements. Thinking of investing in property further afield? As part of a national network of estate agents our large property database means you can extend your search throughout the UK.

Your Mortgage Options

There are lots of different types of BTL mortgage products available, and the right one for you depends on your chosen property and circumstances. Our Mortgage Consultants can compare the products available from our wide panel of lenders and find you a buy to let mortgage that suits your needs.**

REPAYMENT OPTIONS

Before you choose a mortgage product it's worth considering what repayment option suits you. There are two main options:

Capital repayment mortgage

This is a lower risk repayment method most common in residential mortgages. You repay the money borrowed in monthly increments, plus interest (a capital repayment). At the end of the mortgage term, as long as you've kept up your monthly repayments, you'll have paid the debt completely and own the property outright.

Interest-only mortgage

The monthly payments are lower as you only pay the monthly interest from the original mortgage amount you borrow. At the end of the mortgage term, as long as you haven't taken out any additional borrowing, you'll still owe the amount you borrowed so you'll need to organise a way to repay the debt. Your options for that are called repayment vehicles.***

These could include:

- Personal pension plan – You could use a lump sum from your pension to repay the mortgage balance.
- Sale of the financed property, or another property – Lots of investors choose to repay their mortgage from the sale proceeds of the property itself, or another property they own. The risk here is if you don't have enough equity in the property when you sell or if the market puts you into negative equity, you may have to find extra funds to repay the mortgage.
- Endowment policy – This pays out a lump sum after a specific length of time.

* Please refer to <https://www.gov.uk/house-in-multiple-occupation-licence> for full guideline and requirements. Further terms apply. Please also note that different rules apply in Scotland. Please refer to <https://www.gov.uk/house-in-multiple-occupation-licence-scotland>

** Subject to lender status and criteria.

***We are not able to advise on the suitability of your selected repayment vehicle. If uncertain we recommend that you seek independent financial advice.

Types of Mortgages

Fixed rate

Your monthly mortgage payments are fixed for a set amount of time (usually 2-5 years), which is useful when working out your monthly budgets. You are protected from rate increases during this fixed period, but will not benefit from rate decreases.

Standard variable rate (SVR)

You pay the lender's current interest rate. You may benefit from rate reductions, however you could be impacted by rate increases too.

Base rate tracker

This follows an interest rate usually set in line with the Bank of England (BoE) base rate for a certain period of time. It's typically higher and you may benefit from immediate rate reductions, but your payments will go up if the rate increases

Discounted

You pay the lender's standard variable rate, minus a set discount for a fixed period of time, after which it reverts to the SVR. You could benefit from immediate rate reductions, but equally your payment will go up if the rate increases.

Capped Rate

Even if the base rate rises, this mortgage rate won't go past a certain amount for a set period of time. If interest rates fall, so will this rate.

Flexible/Offset

Offset the amount you're borrowing by linking the mortgage to some savings or current account balances. Some of these products allow flexibility when making repayments or even allow you to make overpayments. With offsetting, you don't earn any actual interest on the accounts you link to your mortgage, instead your savings are used to reduce your mortgage balance.

Limited company buy to let mortgages

Many investors choose to purchase buy to let properties via a limited company because it minimises their risks. A Special Purpose Vehicle (SPV) is a limited company set up specifically for your property portfolio and this reason. Seek advice from a tax specialist before setting up an SPV.

Bank of England base rate

The official bank rate (also called the Bank of England base rate BOEBR) is the interest rate the Bank of England charges banks for secured overnight lending. Most UK lenders use the base rate to help calculate interest rates on their own products.

Other Things to Think About

ARRANGE YOUR CONVEYANCING

Conveyancing is the legal transfer of a property from one owner to another. It includes all the legal work plus a variety of important searches and checks on the property.

Our Home Conveyancing service is designed with you in mind and you will have access to a wide range of benefits, including...

- 24 hours a day, 7 days a week case tracking via our secure online portal
- No move, no legal fee, you only pay us if you move
- Simple fixed legal fees paid only on completion
- No need to visit a conveyancer's office for any time consuming in person appointments
- Purchase Search Pledge, peace of mind if your purchase falls through.
- Free Search Delay Insurance if you are ready to exchange contracts and only the search results are awaited

Whether buying or selling, we have access to dedicated property lawyers to help you every step of the way. We will:

- Draw up and check contracts
- Raise enquiries with the opposing conveyancer
- Carry out local searches (e.g. local authority, Land Registry, water and environmental searches)
- Arrange Land Registry certification
- Organise payment of stamp duty (if applicable)
- Manage exchange of contracts
- Transfer monies

VALUATION AND SURVEYS

We can help you choose which survey you'll need for the property and arrange it for you either directly with the lender or through our Surveying Services.

Your lender will require a basic mortgage valuation – a report they will arrange themselves, which confirms the property is worth the money you're asking to borrow.

There are also three main surveys which you might want to consider:

RICS HomeFact (Level 1 - Survey) is a report suitable for standard and smaller properties. Includes photographs of any major concerns with dedicated sections for key defects such as dampness and structural movement.

RICS Home Survey (Level 2 - Survey and Valuation) is as above, but also includes the surveyor's professional opinion on the 'market value' of the property and an insurance reinstatement figure. Highlights significant and urgent matters in a traffic light format so you know what's important

RICS Home Survey (Level 3 – Survey) is a report suitable for any property type, including listed, unusual properties or those requiring renovation, but is typically for larger properties. Comments on defects and their cause, and gives advice on remedial measures required.

Other Things to Think About

FEE S

Although there are some mortgage products without fees, some do have costs. Our Mortgage Consultant will discuss these fees with you.

Here are some fees you may incur to secure your mortgage with a lender:*

- **Lender Arrangement fee** – paid to the lender for arranging your buy to let mortgage
- **Booking or reservation fee** – usually charged upfront, it reserves the buy to let mortgage you have been offered while your application is being processed
- **Broker Arrangement fee** – a one-off fee payable to us for lifetime membership to our mortgage services, which comes with a number of benefits
- **Legal fees** – costs incurred by your conveyancer for the legal work required for a buy to let mortgage
- **Valuation/survey fee** – pays for the valuation/survey carried out on the property
- **Administration fee** – payable to us for handling all the administration on your buy to let mortgage and insurance applications
- **Stamp Duty** – this is a one-off fee that buyers have to pay the government on properties worth over a certain amount. In Scotland stamp duty is called Land and Buildings Transaction Tax, and in Wales it's called the Welsh Land Transaction Tax. Depending on the property value you may be exempt from stamp duty, particularly if you're a first-time buyer. We can tell you about this, or you can check the government website for current thresholds.

Secure a Mortgage

DEPOSIT

There are some mortgage products that don't require a deposit, but typically you may need to raise at least 25% of the value of the property to get a buy to let mortgage.

That means if you were buying a £100,000 property you'd need to raise at least £25,000 before applying for a buy to let mortgage.

However, if you raise a larger deposit, you might gain access to buy to let mortgage products with lower interest rates which could potentially result in lower monthly payments.

If you're funding your purchase with the sale of another property, your equity may cover our deposit.

HOW MUCH CAN YOU AFFORD TO BORROW?

How much you can afford to borrow for a buy to let mortgage depends on lots of things: your income, expenditure, financial situation and personal circumstances are all factors. If you're buying a property with someone else, their income and financial situation will also be taken into account.

Lenders need to know much more about you than just your salary before making a decision on how much they're willing to lend by way of a buy to let mortgage. The lender will look closely at your financial history and existing commitments before making a decision. This is done for every mortgage application. The lender may also take into account how much rent the property will yield as part of this process.

Each lender's criteria can be a little different, so what might be enough for one isn't guaranteed to be accepted by another. Speak to one of our Mortgage Consultants who can explain each lender's criteria and advise you on what you can afford. This includes a comprehensive budget planner which lots of our customers find useful

SECURE A DECISION IN PRINCIPLE/AGREEMENT IN PRINCIPLE

A decision in principle (DIP) or an agreement in principle (AIP) is confirmation that a lender has checked your finances and is willing to lend you a certain amount as a buy to let mortgage, subject to underwriting.

How to Apply for a Buy to Let Mortgage

Once you've found a property and want to make a buy to let mortgage application, our Mortgage Consultant will complete the paperwork and will advise you which of the following documents you will need to bring along, depending on the lender.

Photo ID

- ☒ Valid UK/EU passport
- ☒ Valid driving licence (if not being used for address verification)
- ☒ Valid firearms ID card
- ☒ National ID card

Address Verification

- ☒ Utility bill dated in the last 3 months (not a mobile phone bill or junk mail)
- ☒ Valid driving licence (as long as the address is correct and it's not being used for photo ID verification)
- ☒ Annual council tax bill
- ☒ HMRC/DWP letters within the last 3 months
- ☒ Last 3 months' bank statements (showing income and expenses)
- ☒ Latest credit card statement
- ☒ Latest mortgage statement (if applicable)

Income Proof

- ☒ Latest P60 and last 3 months' payslips (some lenders may accept less than 3 months' documents)
- ☒ If self-employed, last 3 years' audited accounts/SA302 form, including tax year overviews (some lenders may accept less than 3 years' documents)
- ☒ Accountant's certificate (which includes their name and address)
- ☒ Proof of any bonuses/recent pay rise
- ☒ Pension/benefit statements address verification

If you're making a joint application, we'll need to see those documents for both of you.

Once our Mortgage Consultant has recommended a buy to let mortgage based on your circumstances,* they'll submit a full mortgage application to the lender with certified copies of your documents (to prove they have seen the originals), details of the property and the conveyancer you're using to complete your purchase.

The lender will process your application and arrange a mortgage valuation/survey on the property. This is the point you may want to consider a survey upgrade for your own peace of mind (please refer to the valuation and surveys section for more details).

Mortgage Offer

Once the lender is satisfied with the results of the valuation report and the details you provided as part of the buy to let mortgage application, they will be in a position to issue a mortgage offer. A copy will be sent to you and your conveyancer, who will continue to work towards exchange of contracts and completion.

* Subject to status and lender criteria.

Protecting Your Investment

The buy to let mortgage lender will require you to have buildings suitable for landlords in place from the point you exchange contracts on a freehold property. Some buildings insurance policies have a degree of accidental damage cover included, but you may want to add additional cover for more protection to the physical structure of your property.

There are other insurance products you may also want to think about. Speak to our Mortgage Consultant about:

- Contents insurance
- Life insurance
- Critical illness
- Income protection

MAKING A WILL

If you haven't made a will, investing in a property that will form part of your estate is a really good reason to finally do it. Planning what happens to your money, possessions and property would save your loved ones additional stress, worry and cost at a difficult time. Our will-writing partner can provide a simple, straightforward service for your peace of mind, just ask our Mortgage Consultant for details.

Introducing Gascoigne Halman Residential Lettings with different service packages from tenant sourcing to full property management, we can:

- Find and reference tenants, including right to rent checks
- Handle viewings
- Draft a comprehensive Tenancy Agreement
- Arrange inventory checks at the beginning and end of tenancy
- Arrange property inspections
- Offer an opportunity to let your property with a deposit replacement guarantee product instead of a full deposit
- Offer rent protection cover (terms and conditions apply)
- Provide letting and property management advice (Letting fees apply)



A LIFETIME FEE MAY BE PAYABLE UPON MORTGAGE APPLICATION AS WELL AS AN ADMINISTRATION FEE. THE TOTAL FEE PAYABLE WILL DEPEND ON YOUR CIRCUMSTANCES. YOUR MORTGAGE CONSULTANT WILL EXPLAIN ANY FEES APPLICABLE IN YOUR INITIAL APPOINTMENT.

YOUR HOME OR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE. YOU MAY HAVE TO PAY AN EARLY REPAYMENT CHARGE TO YOUR EXISTING LENDER IF YOU RE-MORTGAGE

ALL MORTGAGES ARE SUBJECT TO STATUS AND LENDER CRITERIA. MOST BUY TO LET MORTGAGES ARE NOT REGULATED.

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